

**BEFORE**  
**THE PUBLIC SERVICE COMMISSION**  
**OF SOUTH CAROLINA**  
**DOCKET NO. 2011-47-WS**

IN RE: Application of Carolina Water Service, )  
Incorporated for Approval of an Increase )  
In its Rates for Water and Sewer Services )  
Provided to All of Its Service Areas in )  
South Carolina )  
\_\_\_\_\_)

**REBUTTAL TESTIMONY**  
  
**OF**  
  
**KIRSTEN WEEKS**

1   **Q.   PLEASE STATE YOUR NAME, OCCUPATION AND BUSINESS ADDRESS**  
2   **FOR THE RECORD.**

3   **A.**My name is Kirsten Weeks. I am employed as a Manager of Regulatory  
4   Accounting at Utilities, Inc., 2335 Sanders Road, Northbrook, Illinois 60062.  
5

6   **Q.   WHAT IS YOUR PROFESSIONAL BACKGROUND?**

7   **A.**I have been employed by Utilities, Inc. since August of 2002. Since that time I  
8   have been involved in several phases of rate-making in many regulatory jurisdictions. I  
9   graduated from Coe College in 2001, and I have passed the CPA exam. I had one year  
10   of public accounting/auditing experience prior to joining Utilities, Inc., and have  
11   successfully completed the utility regulation seminar sponsored by NARUC.  
12

13   **Q.   PLEASE EXPLAIN YOUR JOB RESPONSIBILITIES AT UTILITIES, INC.**

14   **A.**My responsibilities include: financial analysis of individual subsidiaries of  
15   Utilities, Inc., preparation of rate applications, facilitation of regulatory audits, and the  
16   submission of testimony and exhibits to support rate applications. These responsibilities  
17   relate specifically to our regulated utilities in Arizona, Florida, Georgia, Louisiana,  
18   Nevada, and South Carolina.  
19

1 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

2 **A.** The purpose of my testimony is to respond to certain adjustments in the direct  
3 testimonies of Sharon G. Scott and Willie J. Morgan. Specifically, I will be rebutting  
4 adjustments 2, 3, 4, 7, 8, 9, 10, 12, 15, 16, 17, 23, 25, 29, 30, 33, 37, and 38. Adjustment  
5 11 will be discussed by Steven Lubertozi. Adjustment 27 will be discussed by Steven  
6 Lubertozi and Karen Sasic.

7  
8 **Q. DOES CAROLINA WATER AGREE TO ANY OF THE ADJUSTMENTS MADE**  
9 **BY MS. SCOTT IN SGS-4?**

10 **A.** Yes, Carolina Water agrees to adjustments 1, 5, 6, 13, 14, 20, 22, 24, 26, 28, 32,  
11 34, and 35. Adjustments 18, 19, 21, 31, 36, 39, and 40 are fall out items.

12  
13 **Q. DOES CAROLINA WATER AGREE WITH ANY OF THE ADJUSTMENTS FOR**  
14 **MISCELLANEOUS REVENUES IN SGS-4. THESE ARE ADJUSTMENTS 2**  
15 **AND 37.**

16 **A.** No, Carolina Water cannot agree to either adjustment.

17  
18 **Q. PLEASE DISCUSS YOUR ANALYSIS OF THE MISCELLANEOUS REVENUES**  
19 **IN SGS-4, ADJUSTMENT 2.**

20 **A.** ORS makes a \$94,397 adjustment to miscellaneous revenues consisting of  
21 \$71,713 for revenues that were booked as Contributions in Aid of Construction ("CIAC")  
22 in sewer, and \$22,681 for some non-utility income received during the test year (the total  
23 adjustment is \$3 off, presumably due to rounding). There are several issues with this  
24 adjustment.

25 First, the \$71,713 is shown in Willie J. Morgan's schedule WJM-2 as sewer only  
26 revenue. However, SGS-4 has this revenue split between water and sewer. It must be  
27 recorded in sewer only. Carolina Water has proposed this revenue as sewer only,



1 consistent with Mr. Morgan's testimony.

2 Second, if this \$71,713 came from CIAC, there must be an adjustment to CIAC to  
3 remove it from the CIAC balance so it is not recorded in both revenues and CIAC for the  
4 test year. An adjustment has been made to sewer rate base on Exhibit KEW-1, Schedule  
5 C to decrease CIAC for this amount. Corresponding adjustments have been made to  
6 accumulated amortization and amortization expense.

7 Third, ORS proposes to include this non-utility income in Carolina Water's  
8 revenue requirement, but later on SGS-4, in adjustment 13, ORS proposes to remove non-  
9 utility expense. These adjustments are inconsistent; one cannot exist without the other.  
10 If ORS proposes to exclude our non-utility expense, they cannot include the non-utility  
11 income. Therefore, Carolina Water recommends exclusion of the \$22,681 in its revenue  
12 requirement.

13  
14 **Q. PLEASE DISCUSS WHY CAROLINA WATER CANNOT AGREE TO THE**  
15 **LATE PAYMENT REVENUES THAT HAVE BEEN INCLUDED IN**  
16 **ADJUSTMENT 37 ON SGS-4.**

17 **A.** On page 9 of Willie J. Morgan's testimony, he states that ORS considers Carolina  
18 Water collections process to be reasonable. , Mr. Morgan also proposes an allowable  
19 uncollectible percentage rate of 1.1% of service revenues on page 8 of his testimony.  
20 .Based on the fact that uncollectible accounts have decreased due to this collection  
21 process, and the fact that the Company will agree to the 1.1% uncollectible rate (see  
22 below), it stands to reason that, even with the increased mailing cost charge that ORS is  
23 recommending, late payment charges will remain steady, if not even decrease. Instead,  
24 Mr. Morgan recommends increasing the late payment charges by \$71,737 – an increase  
25 of 85.59% over test year levels. Late payment charges during the test year  
26 totaled \$83,815, which computed to an uncollectible rate of 5.74%. Since ORS and  
27 Carolina Water can agree to an uncollectible rate of 1.1% (which is a significant decrease

1 in uncollectible percentage), Carolina Water does not believe any imputed revenue is  
2 warranted, and believes that even with the increased mailing charge, late payment  
3 charges in the test year represent a conservative approach going forward.  
4

5 **Q. PLEASE DISCUSS WHY CAROLINA WATER CANNOT AGREE TO THE**  
6 **SEWER DISCONNECTION FEE REVENUES THAT HAVE BEEN INCLUDED**  
7 **IN ADJUSTMENT 37 ON SGS-4.**

8 **A.** On pages 11-12 of Willie J. Morgan's testimony, he states that ORS cannot  
9 support the disconnection fee for sewer. However, Mr. Morgan has included \$100,000  
10 annually (200 disconnects at an estimate of \$500 each) in miscellaneous revenues for a  
11 sewer disconnection fee. This was based on an estimate provided by Mr. Patrick Flynn  
12 during discovery.

13 If the Commission finds that actual cost for a sewer disconnection fee is  
14 reasonable, then Carolina Water will agree to include the \$100,000 estimate in its  
15 miscellaneous revenues. However, based on Mr. Morgan's testimony at pages 11-12, it  
16 appears ORS is not recommending this charge, and accordingly, Carolina Water has  
17 excluded it from its proposed miscellaneous revenues.  
18

19 **Q. PLEASE DISCUSS WHY CAROLINA WATER CANNOT AGREE TO THE**  
20 **METER INSTALLATIONS FEE REVENUES THAT HAVE BEEN INCLUDED**  
21 **IN ADJUSTMENT 37 ON SGS-4.**

22 **A.** On pages 12-13 of Willie J. Morgan's testimony, he states that ORS cannot  
23 support the meter installation fee. However, Mr. Morgan has included \$23,000 annually  
24 (200 meter installations at an estimate of \$115 each) in miscellaneous revenues for a  
25 meter installation fee. This was based on an estimate provided by Mr. Patrick Flynn  
26 during discovery.

27 If the Commission finds that actual cost for a meter installation fee is reasonable,



1 then Carolina Water will agree to include the \$23,000 estimate in its miscellaneous  
2 revenues. However, based on Mr. Morgan's testimony at pages 12-13, it appears ORS is  
3 not recommending this charge, and accordingly, Carolina Water has excluded it from its  
4 proposed miscellaneous revenues.  
5

6 **Q. PLEASE DISCUSS WHY CAROLINA WATER CANNOT AGREE TO THE**  
7 **PUMPING FEE REVENUES THAT HAVE BEEN INCLUDED IN ADJUSTMENT**  
8 **37 ON SGS-4.**

9 **A.** On page 14 of Willie J. Morgan's testimony, he states that ORS cannot support  
10 the increase in the pumping fee. However, Mr. Morgan has included \$50,750 annually  
11 (203 tanks per year at an estimate of increased cost (\$400 vs. \$150) of \$250 each) in  
12 miscellaneous revenues for a meter installation fee. This was based on an estimate  
13 provided by Mr. Patrick Flynn during discovery.

14 If the Commission finds that actual cost for a meter installation fee is reasonable, then  
15 Carolina Water will agree to include the \$50,750 estimate in its miscellaneous revenues.  
16 However, based on Mr. Morgan's testimony at page 14, it appears ORS is not  
17 recommending the increase in this charge, and accordingly, Carolina Water has excluded  
18 it from its proposed miscellaneous revenues.  
19

20 **Q. WHAT REVENUES IN ADJUSTMENT 37 ON SGS-4 CAN CAROLINA WATER**  
21 **AGREE TO?**

22 **A.** Carolina Water can agree to annual revenue from the water disconnection charge  
23 of \$21,000 annually and the tampering charge of \$2,950 annually. This equates to  
24 \$22,712 in water and \$1,238 in sewer.  
25

26 **Q. ARE THERE ANY MORE ADJUSTMENTS THAT ARE REQUIRED TO**  
27 **MISCELLANEOUS REVENUE?**

1 A. Yes, there is one more adjustment required to miscellaneous revenue. Mr.  
2 Morgan proposes to reduce our water reconnection fee from \$35 to \$25, but neglects to  
3 reduce our revenue for that. Carolina Water had 733 reconnects in the test year. At the  
4 difference of \$10 (\$35 - \$25), \$7,330 has been removed from Carolina Water's revenue  
5 requirement for miscellaneous revenues.  
6

7 **Q. DOES ORS USE THE CORRECT UNCOLLECTIBLE AMOUNT?**

8 A. According to Willie J. Morgan on page 8 of his testimony, uncollectible accounts  
9 are within 1.1% of proposed service revenues. Accordingly, Carolina Water proposes  
10 uncollectible accounts expense of 1.1% on its adjusted test year revenues and its  
11 proposed revenues.  
12

13 **Q. DO YOU AGREE WITH MS. SCOTT'S ADJUSTMENTS TO SALARIES,**  
14 **WAGES, OPERATING EXPENSE CHARGED TO PLANT, BENEFITS, AND**  
15 **PAYROLL TAXES? SPECIFICALLY, THESE ARE ADJUSTMENTS 4, 7, 8, 9,**  
16 **12 AND 17 ON EXHIBIT SGS-4 OF MS. SHARON SCOTT'S TESTIMONY.**

17 A. No, I do not.  
18

19 **Q. PLEASE EXPLAIN IN DETAIL WHY YOU DO NOT AGREE, BEGINNING**  
20 **WITH SALARIES AND WAGES, ADJUSTMENTS 4 AND 9.**

21 A. Certainly. Ms. Scott's adjustment annualized salaries with the latest available  
22 data as of June 2011. I used a similar process, although I used the most current salary  
23 data available as of August 18, 2011. I detailed a listing of each employee that is  
24 allocated to Carolina Water, and verified their current salary and wages. Salaries are  
25 annualized to account for consistency in salary levels and they include the merit increases  
26 that went into effect in April of 2011. I then allocated that salary and wages to Carolina  
27 Water based on the ERC basis of that employee. For example, if the employee is an



1 accountant in Northbrook, Illinois at the corporate office, their salary is allocated to all UI  
2 affiliated companies. However, if an operator in South Carolina performs work for only  
3 United Utility Companies and Carolina Water, their salary is only allocated to those two  
4 companies.

5 The differences between Ms. Scott's adjustment of (\$13,918) and my adjustment  
6 below of \$23,627 are due to (1) the filling of vacant positions, and (2) two groupings of  
7 employees that were left out of Ms. Scott's schedule.

8 Carolina Water proposed salaries for 11 vacant positions in its original filing. Six  
9 of these vacant positions were in customer service. One vacant position was in  
10 collections, and four vacant positions were in operations. As of the time of this rebuttal  
11 testimony, Carolina Water has filled five of the six vacant positions in customer service  
12 and one in operations. The remaining five positions remain vacant and have not been  
13 included in Carolina Water's rebuttal testimony salary calculations. This also means the  
14 six out of the 11 positions that have been filled are included in Carolina Water's rebuttal  
15 testimony, as these salaries are known and measurable.

16 The other major difference in salaries between Ms. Scott's testimony and my  
17 testimony is that Ms. Scott inadvertently left out the leadership operations department  
18 and the operations office department when completing her salary calculation. These are  
19 employees in departments 613500 and 615500 on w/p (a) of Exhibit KEW-2. This is  
20 significant, considering these salaries amount to \$155,415 of the total salaries discussed  
21 below.

22  
23 **Q. BASED ON THE ABOVE, WHAT IS THE CORRECT AMOUNT OF**  
24 **MAINTENANCE SALARIES TO INCLUDE IN THE TEST YEAR?**

25 **A.** Based on my analysis, the correct salary and wages adjustment for maintenance  
26 salaries is a \$23,627 increase. This represents an increase of 2.06% over test year  
27 maintenance salaries, and is well within reason for salary annualization and merit

1 increases.

2  
3 **Q. I NOTICE THAT ADJUSTMENT 9 IS A SIMILAR SALARY ADJUSTMENT,**  
4 **BUT TO GENERAL SALARIES. PLEASE EXPLAIN.**

5 **A.** As footnoted on w/p (a) of Exhibit KEW-2, departments 613500 and 615000 are  
6 categorized as maintenance salaries. All other salaries are categorized as general salaries.  
7 General salaries are administrative salaries and office salaries, where maintenance  
8 consists of operators and the operations department. However, there is no difference in  
9 how these salaries are treated or allocated; they are allocated in the same manner as  
10 described above. Ms. Scott arrived at a general salaries adjustment of (\$69,985) in  
11 adjustment 9. Based on the updated salary information described above, the adjustment  
12 to general salaries recommended by Carolina Water is actually a decrease of (\$28,357)  
13 even after annualization and merit increases. General salaries have decreased after the  
14 test year due to the consolidation of customer service and some eliminated positions.

15  
16 **Q. BASED ON THESE ADJUSTMENTS, WHAT ARE THE TOTAL SALARIES**  
17 **AND WAGES THAT CAROLINA WATER IS RECOMMENDING IN ITS**  
18 **REBUTTAL TESTIMONY?**

19 **A.** Carolina Water is recommending a total salary level of \$1,618,271. This consists  
20 of \$1,171,288 of maintenance salaries and \$446,983 of general salaries. This level of  
21 salaries is known, measurable. This total salary level is supported on w/p (a) of Exhibit  
22 KEW-2, and the table below shows the breakdown of these salaries between water and  
23 sewer by per books, recommended increase and total.

Maintenance Salaries			
	Per Books Salaries	Recommended Increase	Total
Water	666,102	13,713	679,816
Sewer	481,559	9,914	491,472
Total	1,147,661	23,627	1,171,288



General Salaries			
	Per Books Salaries	Recommended Increase	Total
Water	275,887	(16,458)	259,429
Sewer	199,453	(11,899)	187,554
Total	475,340	(28,357)	446,983

**Q. OPERATING EXPENSE CHARGED TO PLANT IS A FUNCTION OF SALARIES AND IS ADJUSTED BASED ON SALARIES. WHAT IS THE APPROPRIATE LEVEL OF OPERATING EXPENSE CHARGED TO PLANT FOR CAROLINA WATER?**

**A.** ORS and Carolina Water can agree that operating expense charged to plant is a function of salaries, and we adjust this account as a percentage of salaries, benefits, and payroll taxes for employees who capitalize time. We adjust it as a percentage of salaries, so any increase or decrease in salaries will affect this account. In this case, the appropriate level of operating expense charged to plant is (\$329,779), compared to Ms. Scott's amount of (\$259,095). This represents an increase of (\$1,209) over test year levels, (\$702) of which is in water, and (\$507) of which is in wastewater. This calculation is shown and supported on w/p (b) of Exhibit KEW-2. A corresponding adjustment of a debit of \$702 to water and a debit of \$512 to wastewater has been made to plant.

**Q. ARE THERE OTHER ADJUSTMENTS THAT TIE IN TO SALARIES AND WAGES?**

**A.** Yes, payroll taxes and benefits are what we call "fall-out" items related to salaries. This means that the correct level of payroll taxes and benefits in the filing are a function of the salaries. Payroll taxes (FICA, FUTA, and SUTA) are calculated as certain percentages of an employee's salary, and benefits are also performed in the same manner.

1  
2 **Q. PLEASE DETAIL HOW PAYROLL TAXES ARE CALCULATED.**

3 **A.** FICA and FUTA are computed at the most current federal rates for each  
4 employee. SUTA is calculated at the current SUTA rate for the state in which the  
5 employee works. Based on these calculations at current salary levels discussed above,  
6 and the correct salary allocation for each employee, Ms. Scott's adjustment 17 of  
7 (\$7,045) is incorrect. The appropriate amount of payroll taxes to include for Carolina  
8 Water is \$132,384. This amount is shown and supported on line 274 on w/p (a) of  
9 Exhibit KEW-2. This represents a total increase of \$2,042 over the test year amounts,  
10 with \$1,185 being allocated to water and \$857 being allocated to sewer.  
11

12 **Q. PLEASE DETAIL HOW 401(k) PROFIT SHARING HAS BEEN CALCULATED.**

13 **A.** The Company offers a 401(k) and a profit sharing plan. Utilities, Inc. will  
14 contribute a 50% match of an employee's 401(k) contribution up to 6%. So, if an  
15 employee contributes 3%, Utilities, Inc. will match 1.5%. A 6% contribution by an  
16 employee provides them a Utilities, Inc. match of 3%. Since it's a maximum of 50% up  
17 to 6% for the employee, a 10% contribution on the employee's part would also warrant a  
18 3% contribution from Utilities, Inc.

19 In addition to the 401(k) program, Utilities, Inc. offers a profit sharing program.  
20 This was introduced in 2010. The profit sharing program allows for a certain percentage  
21 of profits to be awarded to employees through their retirement plan at the end of the year.  
22 Profit sharing is discretionary, but is awarded to each employee regardless of whether  
23 they contribute to a 401(k). Last year, the profit sharing contribution by Utilities, Inc.  
24 was 4%, and Utilities, Inc. is on target to contribute 4% again this year.

25 Using these two variables above, I calculated a profit sharing contribution of 4%  
26 for each full time employee and a 401(k) match based on each employee's current  
27 contribution of their current salary. After the appropriate allocation for each employee, I



1 determined that the proper amount of 401(k) and profit sharing to include for Carolina  
2 Water is \$80,553, with \$46,753 being allocated to water and \$33,800 being allocated to  
3 wastewater. This represents a small increase of \$382 over the test year (\$222 increase to  
4 water, \$160 increase to sewer).

5  
6 **Q. DOES UTILITIES, INC. OFFER OTHER BENEFITS TO EMPLOYEES?**

7 **A.** Yes, the Company offers health, dental, and vision insurance, life insurance, and  
8 tuition benefits (on a case-by-case basis). These benefits for the test year total  
9 \$3,586,261 as shown on w/p (d) on Exhibit KEW-2. If you divide these benefits by the  
10 total number of full-time employees, benefits average out to be \$8,855 per full-time  
11 employee. Applying this benefit amount and the same allocation methodology as  
12 described above in salaries, we arrive at a total of \$279,073 for these benefits (\$161,974  
13 to water, \$117,099 to sewer). This is \$24,237 above the test year level, with \$14,067  
14 being allocated to water, and \$10,170 being allocated to wastewater.

15  
16 **Q. IN REBUTTAL TO ADJUSTMENT 12 ON SGS-4, AND BASED ON THE**  
17 **ABOVE, WHAT IS THE TOTAL AMOUNT OF BENEFITS CAROLINA WATER**  
18 **IS INCLUDING IN ITS REBUTTAL TESTIMONY?**

19 **A.** Carolina Water is including a total of \$359,626 in benefits in its rebuttal  
20 testimony, as opposed to Ms. Scott's test year benefits of \$294,542. Like salaries, this  
21 amount is known and measurable, and is a reasonable amount to expect on a going-  
22 forward basis. The table below shows the breakdown of this amount between water and  
23 sewer.  
24

Employee Benefits			
	Per Books Benefits	Recommended Increase	Total
Water	194,438	14,289	208,727
Sewer	140,569	10,330	150,899
Total	335,006	24,619	359,626

Q.

**MS. SCOTT PROPOSES AN ADJUSTMENT TO TRANSPORTATION EXPENSES IN SGS-4, ADJUSTMENT 7. WHAT IS THE BASIS OF THIS ADJUSTMENT, AND DO YOU AGREE WITH IT?**

A.

Ms. Scott adjusts transportation expenses to account for items included in transportation expense that were incorrectly booked and to remove transportation expense for vehicles that are not in service. I agree with Ms. Scott's adjustment in theory, but I calculate a different number. Using Ms. Scott's transportation expense per vehicle of \$6,036, and utilizing the same allocation methodology discussed above (vehicles are allocated on the same ERC profile as the employee who drives it), and finally, agreeing with Ms. Scott in adjusting for vehicles that are not in service, I arrive at a total transportation expense for Carolina Water of \$119,828, of which \$69,548 is allocated to water and \$50,280 is allocated to sewer. This amount is very close to Ms. Scott's amount of \$118,812; Carolina Water proposes approximately \$1,000 more. The difference is ORS has an employee that no longer works for the company, and Carolina Water has included a new employee who has a higher allocation to Carolina Water, resulting in approximately \$1,000 more in transportation expense. Carolina Water's calculation for the proper amount of transportation expense to include in the test year is shown on w/p (a), column (n), line 274 in Exhibit KEW-2.

**Q. ORS HAS CONSIDERED \$2,197 OF CAROLINA WATER'S EXPENSES AS "NONALLOWABLE" BECAUSE THEY BELIEVE THE INVOICE AMOUNT DOES NOT TIE TO THE SAMPLE AMOUNT. PLEASE EXPLAIN IN DETAIL**



1       **WHY YOU DO NOT AGREE WITH THEIR TESTIMONY, AND WHY THESE**  
2       **EXPENSES SHOULD BE ALLOWED.**

3       A.           The Company utilizes a purchase order (PO) system to book expenses. Among  
4       other things, this system enables the Company to better estimate purchases for budgeting,  
5       and also requires approval for anything over a set dollar amount. When a PO is  
6       completed, the amount of the PO is then booked to the Company's general ledger via an  
7       "OV" document number. An OV document type signifies a purchase order. This OV  
8       document number is attached to the PO document number. Once the invoice for the PO  
9       is received, the Company pays the invoice, and assigns it a PV document number. This  
10      PV document number (which is the document type that signifies an invoice) is also  
11      attached to the same PO number. In the event that an invoice is received for an amount  
12      that is different than the associated PO amount originally booked, an adjustment is made  
13      to the general ledger via the assigned PV document number for the difference between  
14      the invoice amount paid, and the PO amount booked. This adjustment is made in, or  
15      close to, the very same accounting period as the original PO. The adjustment is to reflect  
16      the expenses made in the proper accounting period, which is a requirement of Generally  
17      Accepted Accounting Principles.

18               Removing the expenses from the Company's general ledger would not properly  
19      reflect \$2,197 of expenses made during the test year. These exceptions are summarized  
20      in w/p (a) of Exhibit KEW-3.

21               In schedule w/p (a) of Exhibit KEW-3, the "comment" column for line item 1  
22      states, "Please see w/p (b) highlighted in yellow, and invoice 252142." Exhibit KEW-3,  
23      w/p (b) is the entire test year AA ledger activity for object accounts 5480 and 5490. In  
24      w/p (b), it can be seen that all of the amounts in yellow add up to \$530.00 which the  
25      amount on invoice 252142 that the Company paid. All amounts highlighted in yellow in  
26      w/p (b) correspond to the same PO document number. Also, it can be seen that the  
27      adjustment for line item 4 via PV document number 252142, was made in the same

1 accounting period.

2 Each line number in the schedule w/p (a), is color-coded in order to reference the  
3 line items that correspond to the same PO number in w/p (b), with the exception of line  
4 number 7. The line items that correspond line number 29, and be found in w/p (c)  
5 highlighted in grey.

6  
7 **Q. DOES CAROLINA WATER AGREE WITH THE ADJUSTED VEHICLES**  
8 **PROPOSED BY ORS (ADJUSTMENT 23 ON SGS-4)?**

9 **A.** No. The Company agrees with ORS's adjustment to remove vehicles that are no  
10 longer in service, and has performed that adjustment as well. However, after removing  
11 those vehicles and properly allocating each vehicle under the same methodology as the  
12 salary of its driver, Carolina Water arrives at a different amount for the vehicles.  
13 Carolina Water proposes vehicles included in rate base should be \$433,049. This  
14 represents a decrease of (\$221,736) below per books levels. This also differs by  
15 \$143,419 from Staff's calculated vehicle amount of \$289,630. The table below  
16 summarizes the adjustment for water and sewer. Detailed calculations of the appropriate  
17 amount of vehicles to include for ratemaking purposes can be found on w/p (a) of Exhibit  
18 KEW-2.

Vehicles			
	Per Books Vehicles	Recommended Increase	Total
Water	380,037	(128,696)	251,341
Sewer	274,748	(93,041)	181,707
Total	654,785	(221,736)	433,049

19  
20 **Q. DOES CAROLINA WATER AGREE WITH ORS'S ADJUSTMENT FOR**  
21 **NONALLOWABLE PLANT) ADJUSTMENT 29 ON SGS-4)?**



1 A. Carolina Water does not agree with several items in this adjustment. Please see  
2 see w/p (d) of Exhibit KEW-3. Carolina Water believes the first section of items should  
3 be included in rate base (with the exception of the late fee). These projects were prudent  
4 and do serve benefit. Please see Patrick Flynn's testimony to discuss why these items are  
5 prudent. Based on w/p (d), Carolina Water finds that only \$398,314 of water plant and  
6 \$10,581 of wastewater plant should be excluded from rate base. This is in response to  
7 Ms. Scott's amount of (\$508,123) in adjustment 29.

8  
9 **Q. PLEASE EXPLAIN CAROLINA WATER'S DEPRECIATION AND**  
10 **AMORTIZATION CALCULATIONS AND HOW THEY DIFFER FROM ORS'S**  
11 **CALCUATIONS (ADJUSTMENTS SGS-4, 15, 16, 30, AND 33).**

12 A. Regarding adjustment 15, Carolina Water calculates \$1,002,569 of depreciation  
13 expense, compared to Ms. Scott's calculation of \$963,581 on SGS-5. There are several  
14 areas that make up this difference. First, Carolina Water derived different amounts for  
15 the non-allowable plant and for the capitalized wages adjustment as discussed above in  
16 my testimony. Carolina Water's higher plant amount causes depreciation expense to  
17 increase as well. Second, as also discussed above, Carolina Water has calculated a  
18 different amount for vehicles on w/p (a) of Exhibit KEW-2. The depreciation expense for  
19 these vehicles is also calculated on w/p (a) of Exhibit KEW-2, column (m), and excludes  
20 depreciation for vehicles that were fully depreciated by June 2011. Third, since Carolina  
21 Water proposes to include the entire CC&B balance in rate base (as further discussed in  
22 the testimony of both Steven Lubertozzi and Karen Sasic), Exhibit KEW-4 (computer  
23 depreciation) accounts for the entire computer balance in rate base. Like vehicles, any  
24 computers that were fully depreciated by June 2011 have had depreciation expense  
25 excluded for ratemaking purposes. The summary of this depreciation adjustment can be  
26 found on Exhibit KEW-1, w/p (f).

27 Regarding adjustment 16 on SGS-4, both ORS and Carolina Water agree on the

1 correct adjustment for amortization of water CIAC. The parties differ slightly on sewer  
2 CIAC, as ORS inadvertently forgot to account for the CIAC that Mr. Morgan has  
3 reclassified as revenue in his testimony. After removing that CIAC, Carolina Water  
4 arrives at sewer amortization expense of (\$222,879), compared to ORS's amount of  
5 (\$222,955). This adjustment can also be found on Exhibit KEW-1, w/p (f).

6 Regarding adjustment 30 on SGS-4, Carolina Water calculates an accumulated  
7 depreciation amount of (\$8,423,973), compared to ORS's amount of (\$8,113,370) shown  
8 on SGS-1. Again, this is due to ORS and Company differences in CC&B, non-allowable  
9 plant, and vehicle balances. The detailed calculation of accumulated depreciation can  
10 again be found on Exhibit KEW-1, w/p (f).

11 Finally, regarding adjustment 33, on SGS-4, Carolina Water and ORS agree with  
12 the water adjustment to accumulated amortization, but differ slightly on the sewer side  
13 due to Carolina Water's removal of the CIAC that Mr. Morgan recommends be included  
14 in revenue.

15  
16 **Q. DOES THIS CONCLUDE YOUR TESTIMONY.**

17 **A.** Yes, it does.



## CERTIFICATE OF SERVICE

The undersigned employee of Elliott & Elliott, P.A. does hereby certify that she has served below listed parties with a copy of the pleading(s) indicated below by mailing a copy of same to them in the United States mail, by regular mail, with sufficient postage affixed thereto and return address clearly marked on the date indicated below:

RE:                      Application of Carolina Water Service, Inc. for adjustment of rates and charges and modification of certain terms and conditions for the provision of water and sewer service

DOCKET NO.: 2011-47-WS

PARTIES SERVED:        Nanette S. Edwards, Esquire  
                                 Jeffrey M. Nelson, Esquire  
                                 Office of Regulatory Staff  
                                 1401 Main Street, Suite 900  
                                 Columbia, SC 29211

Laura P. Valtorta, Esquire  
Forty Love Point Homeowners' Association  
903 Calhoun Street  
Columbia, SC 29201

Charles Cook, Esquire  
Cook Law Firm  
6806 Pine Tree Circle  
Columbia, SC 29206

PLEADING:                Rebuttal Testimony of:  
                                 Steven Lubertozzi  
                                 Kirsten Weeks

August 24, 2011

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Jackie C. Livingston, Paralegal